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CERTIFICATION UNIT

Interstate Commerce Commission
Washington, D.C.

Gentlemen:

INTERSTATE COMMERCE COMMISSION

Enclosed for recordation under the provisions of Section 20c of the Interstate Commerce Act, as amended, are the original and 9 counterparts of an Equipment Lease dated as of February 1, 1978.

A general description of the railroad equipment covered by the enclosed document is set forth in Schedule A attached to this letter and made a part hereof.

The names and addresses of the parties are:

Lessor: First Security Bank of Utah, N.A.
79 South Main St.
Salt Lake City, Utah 84111
Attention: Trust Department
Corporate Division

Lessee: Consolidated Rail Corporation
1310 Six Penn Center
Philadelphia, PA 19104

The undersigned is the Lessee mentioned in the enclosed document and has knowledge of the matters set forth therein.

Please return the original and 7 copies of the Equipment Lease to Michael J. Feehan, Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603.

Also enclosed is a check in the amount of \$50.00 covering the required recording fee.

Very truly yours,

CONSOLIDATED RAIL CORPORATION

By *J. J. Henne*
Its Asst. Corp. Coun.

LESSEE AS AFORESAID

8-073A 89

No.

Date MAR 14 1978

Fee \$ 50-

Enclosure
ICC Washington, D. C.

C. J. Kopylov
C. J. Kopylov

DESCRIPTION OF ITEMS OF EQUIPMENT

Description and Mark and Number of Items of Equipment:	60 Air Side Dump Cars, Marked and Numbered CR53290 to CR53349, both inclusive.
Base Lessor's Cost of Equipment:	\$56,000 per Item (\$3,360,000 for 60 Items)
Maximum Aggregate Purchase Price to Lessor of Equipment:	\$3,718,424 for 60 Items
Term Lease Commencement Date:	June 30, 1978
Place of Delivery:	Renton, Washington
Fixed Rental Payments:	Thirty (30) semiannual Fixed Rental installments in arrears equal to 4.52044% of the Lessor's Cost of each Item of Equipment.

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

3/14/78


Michael J. Feehan
Chapman and Cutler
111 West Monroe Street
Chicago, Illinois 60603

Dear

Sir:

The enclosed document(s) was recorded pursuant to the
provisions of Section 20(c) of the Interstate Commerce Act,
49 U.S.C. 20(c), on **3/14/78** at **12:25pm**
and assigned recordation number(s) **9282 & 9283**

Sincerely yours,


H.G. Homme, Jr.
Acting Secretary

Enclosure(s)

SE-30-T
(6/77)

RECORDATION NO. 7082 Filed & Recorded

MAR 14 1978 -12 21 PM

EQUIPMENT LEASE

INTERSTATE COMMERCE COMMISSION

Dated as of February 1, 1978

BETWEEN

FIRST SECURITY BANK OF UTAH, N.A.,
as Trustee

LESSOR

AND

CONSOLIDATED RAIL CORPORATION

LESSEE

(Conrail Trust No. 78-1)
(60 Air Side Dump Cars)

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ATTACHMENTS TO EQUIPMENT LEASE:

Schedule A - Description of Items of Equipment

Schedule B - Certificate of Acceptance Under
Equipment Lease

Schedule C - Schedule of Casualty Value

CONSOLIDATED RAIL CORPORATION

EQUIPMENT LEASE

THIS EQUIPMENT LEASE dated as of February 1, 1978 between FIRST SECURITY BANK OF UTAH, N.A., as trustee (the "Lessor") under a Trust Agreement dated as of February 1, 1978 (the "Trust Agreement") with FIRST SECURITY LEASING COMPANY, a Utah corporation (the "Trustor"), and CONSOLIDATED RAIL CORPORATION, a Pennsylvania corporation (the "Lessee");

W I T N E S S E T H:

That for and in consideration of the premises and of the rental to be paid and the covenants hereinafter mentioned the parties hereby agree as follows:

SECTION 1. LEASE AND DELIVERY OF EQUIPMENT.

1.1. Intent to Lease and Hire. The Lessor is acquiring certain equipment (collectively the "Equipment" and individually "Item of Equipment") described in Schedule A attached hereto and made a part hereof and, upon delivery of each Item of Equipment by PACCAR Inc as manufacturer thereof (hereinafter referred to as the "Manufacturer"), the Lessor shall lease and let such Item of Equipment from the Lessor for the rental and on and subject to the terms and conditions herein set forth.

1.2. Inspection and Acceptance. The Lessor will cause each Item of Equipment to be tendered to the Lessee at the place of delivery set forth in Schedule A. Upon such tender, the Lessee will cause an inspector designated and authorized by the Lessee to inspect the same, and, if such Item of Equipment is found to be in good order, to accept delivery of such Item of Equipment and to execute and deliver to the Lessor and the Manufacturer thereof a Certificate of Acceptance (the "Certificate of Acceptance") in the form attached hereto as Schedule B with respect to such Item of Equipment; provided, however, that the Lessee shall not accept and the Lessor shall have no obligation to lease any Item of Equipment delivered after the Outside Delivery Date therefor set forth in Schedule A.

1.3. Certificate of Acceptance. The Lessee's execution and delivery to the Lessor and the Manufacturer of a Certificate of Acceptance with respect to each Item of Equipment shall conclusively establish that, as between the Lessor and the Lessee, but without limiting or otherwise affecting the Lessee's or the Lessor's rights, if any, against the Manufacturer, such Item of Equipment is acceptable to and accepted by the Lessee under this Lease, notwithstanding any defect with respect to design, manufacture, condition or in any other respect, and that such Item of Equipment

is in good order and condition and appears to conform to the specifications applicable thereto and to all applicable United States Department of Transportation and Interstate Commerce Commission requirements and specifications, if any, and to all standards recommended by the Association of American Railroads applicable to new railroad equipment of the character of the Equipment as of the date of this Lease. By execution and delivery of such Certificate of Acceptance, the Lessee represents that it has no knowledge of any such defect.

SECTION 2. RENTALS AND PAYMENT DATES.

2.1. Rent for Equipment. The Lessee agrees to pay the Lessor the following rent for each Item of Equipment:

(a) Interim Rental. For each Item of Equipment, an amount per day (the "Interim Rental") equal to 0.0256945% of the Lessor's Cost thereof [as defined in the Participation Agreement dated as of February 1, 1978 (the "Participation Agreement")] among the Lessee, the Lessor, the Trustor, and Bank of America National Trust and Savings Association, as Trustee for the Atlantic Richfield Company and Subsidiary Retirement Plans (the "Note Purchaser")] for the period, if any, from the Closing Date (as defined in the Participation Agreement) for such Item of Equipment to, but not including, the earlier of (i) the second and final Closing Date under the Participation Agreement, or (ii) June 30, 1978 (the "Term Lease Commencement Date");

(b) Fixed Rental. For each Item of Equipment, thirty semiannual (30) installments of fixed rental (the "Fixed Rental"), payable in arrears, each in an amount equal to 4.52044% of the Lessor's Cost thereof.

2.2. Rent Payment Dates. The installment of Interim Rental for each Item of Equipment shall be due and payable on the Term Lease Commencement Date. The first installment of Fixed Rental for each Item of Equipment shall be due and payable six months following the Term Lease Commencement Date and the balance of said installments shall be payable at six month intervals thereafter with the final such installment payable fifteen years following the Term Lease Commencement Date. If any of the rent payment dates is not a business day, the rent payment otherwise payable on such date shall be payable on the next succeeding business day. For purposes of this Lease, the term "business day" means calendar days, excluding Saturdays, Sundays and holidays on which banks in the State of Illinois are authorized or required to close.

2.3. Adjustment of Rentals. In determining the amount of each installment of Fixed Rental payable pursuant to Section 2.1 hereof, the Lessor and the Lessee have assumed that on each Closing Date, the Note Purchaser will purchase the principal amount of the Notes contemplated to be purchased thereby in the Participation Agreement so that the Trustor shall not be required pursuant to Section 2.4 of the Participation Agreement to pay the entire amount

of the Lessor's Cost of the Items of Equipment (as defined in the Participation Agreement) which were to have been settled for on such Closing Date. In the event that pursuant to Section 2.4 of the Participation Agreement, the Note Purchaser shall fail to purchase the Notes to be issued on a Closing Date and the Trustor shall thereby be required to pay the entire amount of the Lessor's Cost of the Items of Equipment which were to have been settled for on such Closing Date in the manner provided in said Section 2.4 then the Lessee and the Lessor agree that the Fixed Rental and the Casualty Values (as defined in Section 11.6 hereof) shall be increased to such an amount as shall, in the reasonable opinion of the Trustor, cause the Trustor's after-tax economic yields and cash flows (computed on the same assumptions, including tax rates, as were utilized by the Trustor in originally evaluating this transaction) to equal the after-tax economic yields and cash flows that would have been realized by the Trustor if the Note Purchaser had purchased the Notes on such Closing Date as so contemplated.

2.4. Place and Manner of Rent Payment. The Lessor instructs the Lessee to make all payments due hereunder as follows:

(a) The portion of the installment of Interim Rental equal to interest accrued on the principal amount of the Note issued on the first Closing Date under the Participation Agreement at the rate of 0.0256945% per day for the period, if any, from such first Closing Date to, but not including, the Term Lease Commencement Date shall be paid to the Note Purchaser by wire transfer to Bank of America National Trust and Savings Association, P. O. Box 3635-T.A., Los Angeles, California 90051, Attention: Mr. Paul C. Chow, Account No. 17055, Arco No. 3 and the balance of the installment of Interim Rental shall be paid to the Lessor by wire transfer to the principal office of the Lessor, 79 South Main Street, Salt Lake City, Utah 84111, Attention: Trust Department, Corporate Trust Division;

(b) The portion of any installment of Fixed Rental resulting from an increase in the amount thereof pursuant to Section 2.3 hereof shall be paid in full to the Lessor by wire transfer to the principal office of the Lessor, 79 South Main Street, Salt Lake City, Utah 84111, Attention: Trust Department, Corporate Trust Division;

(c) Unless otherwise directed in writing by the Note Purchaser, the entire portion of each of the first 15 installments of Fixed Rental and the portion of the next following 14 installments of Fixed Rental which are equal to the percentage of the Lessor's Cost of the Items of Equipment set forth opposite the number of such installments in the table below shall be paid to the Note Purchaser by wire transfer to Bank of America National Trust and Savings Association, P. O. Box 3635-T.A., Los Angeles, California 90051, Attention: Mr. Paul C. Chow, Account No. 17055, Arco No. 3:

<u>Number of Fixed Rental Installment</u>	<u>Percentage of Lessor's Cost</u>
16 and 17	4.19362%
18 and 19	3.79674%
20 and 21	3.40799%
22 and 23	3.02774%
24 and 25	3.23634%
26, 27, 28 and 29	4.21630%

(d) Unless otherwise directed in writing by the Note Purchaser, the balance of the 16th through and including the 29th installments of Fixed Rental after wire transfer to the Note Purchaser of the portion of each such installment designated in subparagraph (c) above and the entire amount of the 30th and final installment of Fixed Rental shall be paid to the Lessor by wire transfer to the principal office of the Lessor, 79 South Main Street, Salt Lake City, Utah 84111, Attention: Trust Department, Corporate Trust Division;

(e) The entire amount of any payment of Casualty Value pursuant to Section 11 hereof shall be paid to the Note Purchaser by a check drawn on a bank located in the continental United States (identifying the same as a payment of Casualty Value relating to Conrail Trust No. 78-1) and forwarded to the Note Purchaser by United States mail, first class, postage prepaid to Bank of America National Trust and Savings Association, P.O. Box 3635-T.A., Los Angeles, California 90051, Attention Mr. Paul C. Chow, Account No. 17055, ARCO No. 3;

(f) The amount of any payment owing to the Lessor or the Trustor pursuant to Sections 6, 10.2, 11.1 (with respect to public liability insurance) and 20.3 hereof shall be made directly to the party to receive the same without regard to the assignment of this Lease or the payments due hereunder to the Note Purchaser as collateral security as hereinafter provided;

(g) The amount of any interest due in respect of the late payment of any rentals or other amounts pursuant to Section 19 hereof shall be paid to the party and in the manner herein provided to receive said rental or other amount.

(h) All payments other than those above specified shall be made by the Lessee directly to the party to receive the same unless any such Payment has previously been made by the Lessor or the Note Purchaser, in which case the Lessee shall reimburse the Lessor or the Note Purchaser, as the case may be, directly for such payment.

The Lessee agrees that it will make payments due hereunder by wire transfer where specified above at the opening of business on the due date of such payment of Federal or otherwise immediately available funds to the party to whom such payment is to be made, and otherwise by check of the Lessee drawn on a bank located in the continental United States and mailed to the party to receive the same at the address herein provided or at such other address as the Lessee shall have been provided advised in writing.

2.5. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent or reduction thereof, including, but not limited to, abatements or reductions due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise or against any assignee of the Lessor pursuant to Section 16 hereof, nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or failure of title of the Lessor to the Equipment or any defect in or damage to or loss or destruction of all or any of the Equipment from any cause whatsoever, the taking or requisitioning of the Equipment by condemnation or otherwise, the lawful prohibition of the Lessee's use of the Equipment, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, or lack of right, power or authority of the Lessor to enter into this Lease, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events unless the obligation to pay the same shall be terminated pursuant to Section 11 hereof, or until, pursuant to Section 13 hereof, the Equipment is placed and ready for delivery to the Lessor on the Lessee's lines, or is stored for the Lessor on the Lessee's lines or leaves the Lessee's lines for off-line delivery to the Lessor.

SECTION 3. TERM OF THE LEASE.

The term of this Lease as to each Item of Equipment shall begin on the date of the delivery to and acceptance by the Lessee of such Item of Equipment and, subject to the provisions of Sections 11, 14 and 18 hereof, shall terminate fifteen (15) years following the Term Lease Commencement Date provided for in Section 2.1(a) hereof.

SECTION 4. OWNERSHIP AND MARKING OF EQUIPMENT.

4.1. Retention of Title. The Lessor, as between the Lessor and the Lessee, shall and hereby does retain full legal title to the Equipment notwithstanding the delivery thereof to and possession and use thereof by the Lessee.

4.2. Duty to Number and Mark Equipment. The Lessee will cause each Item of Equipment to be kept numbered with its road number as set forth in Schedule A hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in contrasting color upon each side of each Item of Equipment in letters not less than one inch in height as follows:

"Leased from a Bank or Trust Company,
as Trustee and subject to a Security
Interest recorded with the I.C.C."

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of the Lessor to such Item of Equipment, its rights under this Lease and the rights of any assignee under Section 16 hereof. The Lessee will not place any such Item of Equipment in operation or exercise any control or dominion over the same until the required legend shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced or destroyed. The Lessee will not change the road number of any Item of Equipment except with the consent of the Lessor and in accordance with a statement of new road numbers to be substituted therefor, which consent and statement previously shall have been filed with the Lessor by the Lessee and filed, recorded or deposited in all public offices where this Lease shall have been filed, recorded or deposited.

4.3. Prohibition Against Certain Designations. Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Equipment to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on railroad equipment used by it of the same or a similar type for convenience of identification of the right of the Lessee to use the Equipment under this Lease.

SECTION 5. DISCLAIMER OF WARRANTIES.

THE LESSOR LEASES THE EQUIPMENT AS-IS, WITHOUT WARRANTY OR REPRESENTATION EITHER EXPRESS OR IMPLIED, AS TO (A) THE FITNESS FOR ANY PARTICULAR PURPOSE OR MERCHANTABILITY OF ANY ITEM OR ITEMS OF EQUIPMENT, INCLUDING WITHOUT LIMITATION THEIR VALUE, CONDITION, DESIGN OR OPERATION (B) THE LESSOR'S TITLE THERETO, (C) THE LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF, OR (D) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE.

The Lessor hereby appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce, from time to time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have as owner of the Equipment against any manufacturers or contractors in respect thereof.

SECTION 6. LESSEE'S INDEMNITY.

6.1. Scope of Indemnity. The Lessee shall defend, indemnify and save harmless the Lessor and the Trustor and their respective successors and assigns from and against:

(a) any and all loss or damage or to the Equipment, usual wear and tear excepted, and

(b) any claim, cause of action, damages, liability, cost or expense (including, without limitation, counsel fees and costs in connection therewith) which may be incurred in any manner by or for the account of any of them (i) relating to the Equipment or any part thereof, including, without limitation, the purchase, delivery, installation, ownership, leasing or return of the Equipment or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects are latent or discoverable by the Lessor or by the Lessee), (ii) by reason or as the result of any act or omission of the Lessee for itself or as agent or attorney-in-fact for the Lessor hereunder, (iii) as a result of claims for patent infringements, or (iv) as a result of claims for negligence or strict liability in tort.

6.2. Continuation of Indemnities and Assumptions.

The indemnities and assumptions of liability in this Section 6 contained shall continue in full force and effect notwithstanding the termination of this Lease, or the termination of the term hereof in respect of any one or more Items of Equipment, whether by expiration of time, by operation of law or otherwise; provided, however, that such indemnities and assumption of liability shall not apply in respect of any matters referred to in subsection (a) or clause (i) or (ii) of subsection (b) of Section 6.1 hereof, occurring after the termination of this Lease, except for any such matters occurring after the termination arising in connection with the Lessee's assembling, delivering, storing or transporting of the Equipment as provided in Section 13 or 15, as the case may be. The Lessee shall be entitled to control, and shall assume full responsibility for, the defense of such claim or liability. The indemnities and assumption of

liabilities set forth in this Section 6 do not constitute a guaranty of a residual value in the Equipment nor a guaranty of payment of the Notes.

SECTION 7. RULES, LAWS AND REGULATIONS.

The Lessee agrees to comply with all governmental laws, regulations, requirements and rules (including, without limitation, the rules of the United States Department of Transportation, the Interstate Commerce Commission and the current Interchange Rules or supplements thereto of the Mechanical Division, Association of American Railroads as the same may be in effect from time to time) with respect to the use, maintenance on of each Item of Equipment subject to this Lease. In case any equipment or appliance is required to be changed, added, replaced or installed on such Item of Equipment in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such changes, additions, installations and replacements at its own expense.

SECTION 8. USE AND MAINTENANCE OF EQUIPMENT.

The Lessee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Lessee shall, at its own cost and expense, maintain and keep the Equipment in good order, condition and repair, ordinary wear and tear excepted, suitable for use in interchange. Except as required by the provisions of Section 7 hereof, the Lessee shall not modify any Item of Equipment without the prior written authority and approval of the Lessor which shall not be unreasonably withheld. Any parts installed or replacements made by the Lessee upon any Item of Equipment pursuant to Section 7 hereof or pursuant to its obligation to maintain and keep the Equipment in good order, condition and repair under this Section 8 shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Lessor without cost or expense to the Lessor. The Lessee shall make no other additions or improvements to any Item of Equipment unless the same are readily removable without causing material damage to such Item of Equipment. If the Lessee shall at its cost cause such readily removable additions or improvements to be made to any Item of Equipment, the Lessee agrees that it will, prior to the return of such Item of Equipment to the Lessor hereunder, remove the same at its own expense without causing material damage to such Item of Equipment. Title to any such readily removable additions or improvements shall remain with the Lessee.

SECTION 9. LIENS ON THE EQUIPMENT.

The Lessee shall pay or satisfy and discharge any and all claims against, through or under the Lessee and its successors or assigns which, if unpaid, might constitute or become a lien or a charge upon any Item of Equipment, and any liens or charges which may be levied against or imposed upon any Item of Equipment as a result of the failure of the Lessee to perform or observe any of

its covenants or agreements under this Lease, but the Lessee shall not be required to pay or discharge any such claims so long as it shall, in good faith and by appropriate legal proceedings, contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor or the rights of any assignee under Section 16 hereof in and to the Equipment. The Lessee's obligations under this Section 9 shall survive the termination of this Lease.

SECTION 10. FILING, PAYMENT OF FEES AND TAXES.

10.1. Filing. The Lessee will, at its sole expense, cause this Lease and any security agreement and/or assignment, if any, executed by the Lessor with respect to any Item of Equipment or this Lease to be duly filed, registered or recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act and in such other places within or without the United States as the Lessor may reasonably request for the protection of its title or the security interest of the secured party under any such security agreement and/or assignment and will furnish the Lessor proof thereof. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will refile, re-register or re-record whenever required) and all further instruments required by law or reasonably requested by the Lessor, for the purpose of protecting the Lessor's title to, or such secured party's security interest in, the Equipment to the satisfaction of the Lessor's or such secured party's counsel or for the purpose of carrying out the intention of this Lease, and in connection with any such action, will deliver to the Lessor proof of such filings and an opinion of the Lessee's counsel that such action has been properly taken. The Lessee will pay all costs, charges and expenses incident to any such filing, refiling, recording and re-recording or depositing and redepositing of any such instruments or incident to the taking of such action.

10.2. Payment of Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, federal or foreign taxes (other than any United States federal income tax [and, to the extent that the Lessor received credit therefor against its United States federal income tax liability, any foreign income tax] payable by the Lessor in consequence of the receipt of payments provided herein and other than the aggregate of all franchise taxes measured by net income based on such receipts, up to the amount of any such taxes which would be payable to the state and city in which the Lessor has its principal place of business without apportionment to any other state, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided) assessments or license fees and any charges, fines or penalties in connection therewith (hereinafter called "Impositions") hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the Purchase Order Assignment, all of which Impositions the Lessee assumes and agrees

to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all Impositions which may be imposed upon any Item of Equipment or for the use or operation thereof or upon the earnings arising therefrom or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Item of Equipment free and clear of all Impositions which might in any way affect the title of the Lessor or result in a lien upon any such Item of Equipment; provided, however, that the Lessee shall be under no obligation to pay any Impositions so long as it is contesting in good faith and by appropriate legal proceedings such Impositions and the nonpayment thereof does not, in the opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or under the Purchase Order Assignment. If any Impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor. Prior to making such payment, the Lessor shall promptly notify the Lessee of the Impositions charged or levied, and the Lessee shall have the opportunity to contest in good faith and by appropriate legal proceedings such Impositions, at its sole expense.

In the event any reports with respect to Impositions are required to be made on the basis of individual Items of Equipment, the Lessee will either make such reports in such manner as to show the interests of the Lessor and any assignee under Section 16 hereof in such Items of Equipment or notify the Lessor and any such assignee of such requirement and make such reports in such manner as shall be satisfactory to the Lessor and any such assignee.

In the event that, during the continuance of this Lease, any Imposition accrues or becomes payable or is levied or assessed (or is attributable to the period of time during which this Lease is in existence) which the Lessee is or will be obligated to pay or reimburse, pursuant to this Section 10.2, such liability shall continue, notwithstanding the expiration of this Lease, until all such Impositions are paid or reimbursed by the Lessee.

SECTION 11. INSURANCE; PAYMENT FOR CASUALTY OCCURRENCE.

11.1. Insurance. The Lessee will at all times after delivery and acceptance of each Item of Equipment, at its own expense, keep or cause to be kept each such Item insured by a reputable insurance company or companies in amounts and against risks customarily insured against by the Lessee on similar equipment owned or leased by the Lessee. Any such insurance may have applicable thereto deductible provisions to no greater extent than in effect for insurance coverage for similar equipment owned or leased by the Lessee and may be carried under blanket policies maintained by the Lessee so long as such policy otherwise complies with the provisions of this Section 11.1. All such insurance shall cover the interest of the Lessor, the Trustor, the Note Purchaser and the Lessee in the Items, or as the case may be, shall protect the Lessor, the Trustor, the Note Purchaser and the Lessee in respect of risks arising out of the condition, maintenance, use, ownership, or operation of the Items. Such insurance may provide that losses shall be adjusted with the

Lessee. All liability policies shall name the Lessor, the Trustor, the Lessee and the Note Purchaser as insureds. All policies required hereby covering loss or damage to any Item shall name the Lessor, the Lessee and the Note Purchaser as insureds and shall provide that any payment thereunder for any loss or damage shall (except as provided below) be made to the Note Purchaser under a standard mortgagee loss payable clause satisfactory to the Lessor and the Note Purchaser and shall provide that the insurer thereunder waives all rights of subrogation against the Lessor, the Lessee, the Trustor and the Note Purchaser, and that such insurance as to the interest of the Note Purchaser therein shall not be invalidated by any act or neglect of the Lessor, the Lessee or the Trustor or by any foreclosure or other remedial proceedings or notices thereof relating to the Items or any Items or any interest therein nor by any change in the title or ownership of the Items or any interest therein or with respect thereto, or by the use or operation of the Items for purposes more hazardous or in a manner more hazardous than is permitted by such policy. No such policy shall contain a provision relieving the insurer thereunder of liability for any loss by reason of the existing of other policies of insurance covering the Items against the peril involved, whether collectible or not. All proceeds of insurance received by the Lessor and the Note Purchaser with respect to any Items of Equipment not suffering a Casualty Occurrence (as hereinafter defined) shall be paid to the Lessee upon proof satisfactory to the Lessor and the Note Purchaser that any damage to any Item with respect to which such proceeds were paid has been fully repaired. Any such proceeds of insurance received by the Lessor and the Note Purchaser with respect to a Casualty Occurrence shall be credited toward the payment required by this Section 11 with respect to such Casualty Occurrence. The Lessee shall furnish the Note Purchaser and the Lessor with copies of the insurance policies required hereunder and with certificates or other satisfactory evidence of maintenance of the insurance required hereunder and with respect to any renewal policy or policies shall furnish certificates evidencing such renewal not less than 30 days prior to the expiration date of the original policy or renewal policies. All such policies shall provide that the same shall not be cancelled without at least 30 days' prior written notice to each assured named therein.

11.2. Duty of Lessee to Notify Lessor. In the event that any Item of Equipment shall be or become lost, stolen, destroyed, or, in the opinion of the Lessee, irreparably damaged during the term of this Lease, including any renewal term hereunder, or thereafter while the Item of Equipment is in the possession of the Lessee pursuant to Section 13 or 15 hereof, or shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise during the term of

this Lease, including any renewal terms hereunder (any such occurrence, except for any requisition which by its terms is for an indefinite period or is for a stated period which does not exceed the term of this Lease, being hereinafter called a "Casualty Occurrence"), the Lessee shall promptly and fully (after it has knowledge of such Casualty Occurrence) inform the Lessor and the Note Purchaser in regard thereto and shall pay the Casualty Value (as defined in Section 11.6 hereof) of such Item in accordance with the terms of Section 11.3 hereof.

11.3. Sum Payable for Casualty Loss. The Lessee, on the next succeeding rent payment date following its knowledge of a Casualty Occurrence with respect to any Item or Items of Equipment, shall pay to the Lessor the Fixed Rental installment due on such payment date for such Item of Equipment plus a sum equal to the Casualty Value of such Item of Equipment as of the date of such payment.

11.4. Rent Termination. Upon (and not until) payment of the Casualty Value in respect of any Item or Items of Equipment, the obligation to pay rent for such Item or Items of Equipment accruing subsequent to the Casualty Value payment date shall terminate, but the Lessee shall continue to pay rent for all other Items of Equipment.

11.5. Disposition of Equipment. The Lessee shall as agent for the Lessor, dispose of such Item or Items of Equipment having suffered a Casualty Occurrence as soon as it is able to do so for the fair market value thereof. Any such disposition shall be on an "as-is, where-is" basis without representation or warranty, express or implied. As to each separate Item of Equipment so disposed of, the Lessee may retain all amounts arising from such disposition plus any insurance proceeds and damages received by the Lessee by reason of such Casualty Occurrence up to the Casualty Value attributable thereto and shall remit the excess, if any, to the Lessor. In disposing of such Item of Equipment, the Lessee shall take such action as the Lessor shall reasonably request to terminate any contingent liability which the Lessor might have arising after such disposition from or connected with such Item of Equipment.

11.6. Casualty Value. The Casualty Value of each Item of Equipment shall be an amount determined as of the date the Casualty Value is paid as provided in this Section 11 (and not the date of the Casualty Occurrence) equal to that percentage of the Purchase Price (as defined in the Participation Agreement) of such Item of Equipment set forth in the Schedule of Casualty Value attached hereto as Schedule C opposite such date of payment.

11.7. Risk of Loss. The Lessee shall bear the risk of loss and, except as hereinabove in this Section 11 provided, shall

not be released from its obligations hereunder in the event of any Casualty Occurrence to any Item of Equipment from and after the date hereof and continuing until payment of the Casualty Value and Fixed Rental installment due on and prior to the date of payment of such Casualty Value in respect of such Item of Equipment has been made, such Item or the salvage thereof has been disposed of by the Lessee and the title to such Item or the salvage thereof and all risk of loss and liabilities incident to ownership have been transferred to the purchaser of such Item or the salvage thereof.

11.8. Eminent Domain. In the event that during the term of this Lease the use of any Item of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for an indefinite period or for a stated period which does not exceed the term of this Lease, the Lessee's obligation to pay rent shall continue for the duration of such requisitioning or taking. The Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession to an amount equal to the rent paid or payable hereunder for such period, and the balance, if any, shall be payable to and retained by the Lessor as its sole property.

SECTION 12. ANNUAL REPORTS; INSPECTION RIGHTS.

12.1. Duty of Lessee to Furnish. On or before March 31 in each year, commencing with the year 1979, the Lessee will furnish to the Lessor and its assigns an accurate statement, as of the preceding December 31 (a) showing the amount, description and numbers of the Items of Equipment then leased hereunder, the amount, description and numbers of all Items of Equipment that may have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Lease, in the case of the first such statement), and such other information regarding the condition or repair of the Equipment as the Lessor may reasonably request, and (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 4.2 hereof shall have been preserved or replaced.

12.2. Lessor's Inspection Rights. The Lessor and any assignee of the Lessor pursuant to Section 16 hereof each shall have the right, at its sole cost and expense, by its authorized representative, to inspect the Equipment and the Lessee's records with respect thereto, at such time as shall be reasonably necessary to confirm to the Lessor or, as the cases may be, such assignee, the existence and proper maintenance thereof during the continuance of this Lease.

SECTION 13. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM.

Upon the expiration of the term of this Lease with respect to any Item of Equipment, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Item of Equipment to the Lessor upon such storage tracks of the Lessee as the Lessor may designate, or in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Item of Equipment on such tracks for a period not exceeding 90 days and transport the same at any time within such 90-day period to any reasonable place on the lines of the railroad operated by the Lessee or to any connecting carrier for shipment, all as directed by the Lessor upon not less than 30 days' written notice to the Lessee. All movement and storage of each such Item is to be at the risk and expense of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Item, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so assemble, deliver, store and transport the Equipment.

SECTION 14. DEFAULT.

14.1. Events of Default. Any of the following events shall constitute an Event of Default hereunder:

(a) Default shall be made in the payment of any part of the rental or other sums provided in Section 2 or 11 hereof and such default shall continue for five days; or

(b) The Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or of possession of the Equipment, or any portion thereof; or

(c) Default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein and such default shall continue for 30 days after written notice from the Lessor to the Lessee, specifying the default and demanding the same to be remedied; or

(d) Any representation or warranty made by the Lessee herein or in the Participation Agreement or the Purchase Order Agreement or in any statement or certificate furnished to the Lessor or its assigns pursuant to or in connection with this Lease, the Participation Agreement or the Purchase Order Agreement is untrue in any material respect as of the date of issuance or making thereof; or

(e) Any proceedings shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder, under any bankruptcy or insolvency laws or laws relating to the relief of debtors, readjustments or indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed for the Lessee or for the property of the Lessee in connection with any such proceeding in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced whichever shall be earlier; or

(f) A petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may hereafter be amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees, within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier.

14.2. Remedies. If any Event of Default has occurred and is continuing, the Lessor, at its option, may:

(a) Proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof, including reasonable attorneys' fees; or

(b) By notice in writing to the Lessee, terminate this Lease, whereupon all right of the Lessee to the use of the Equipment shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon, the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Equipment may be located and take possession of all or any of such Equipment and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Equipment for any purpose whatever, but the Lessor, shall nevertheless, have a right to recover from the Lessee any and all amounts which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee (i) as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum with respect to each Item of Equipment, which represents the excess of the present worth, at the time of such termination, of all rentals for such Item which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease over the then present worth of the then Fair Rental Value of such be obtainable for the use of such Item during such period, such present worth to be computed in each case on a basis of a 6% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, or (y) an amount equal to the excess of any of the Casualty Value of such Item of Equipment as of the rent payment date on or immediately preceding the date of termination over the amount the Lessor reasonably estimates to be the Fair Market Value thereof at such time; provided however, that in the event the Lessor shall have sold any Item of Equipment, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this

part (i) with respect thereto may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor, on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value of such Item of Equipment on or as of the rent payment date on or immediately preceding the date of termination over the net proceeds of such sale, and (ii) any damages and expenses, other than for a failure to pay rental, in addition thereto, including reasonable attorneys' fees, which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease other than for the payment of rental.

For purposes of Section 14.2 above, the Fair Rental Value for any Item of Equipment shall be determined in the appraisal arrangements specified in Section 18.2(b) hereof and the Fair Market Value for any Item of Equipment shall be determined in a similar manner with appropriate adjustments for sale rather than rental, with any appraisal expenses to be borne by the Lessee; provided that any sale in a commercially reasonable manner of any Item of Equipment prior to any such determination shall conclusively establish the Fair Market Value of such Item and any rental in a commercially reasonable manner of any Item of Equipment prior to any such determination shall conclusively establish the Fair Rental Value of such Item.

14.3. Cumulative Remedies. The remedies in this lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims of any right to assert any offset against the rent payments due hereunder, and agrees to make the rent payments regardless of any offset or claim which may be asserted by the Lessee on its behalf in connection with the lease of the Equipment.

14.4. Lessor's Failure to Exercise Rights. The failure of the Lessor to exercise the rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT.

15.1. Lessee's Duty to Return. If the Lessor or any assignee of the Lessor pursuant to Section 16 hereof shall terminate this Lease pursuant to Section 14 hereof, the Lessee shall forthwith deliver possession of the Equipment to the Lessor. For the purpose of delivering possession of any Item of Equipment to

the Lessor as above required, the Lessee shall at its own cost, expense and risk (except as hereinafter stated):

(a) Forthwith place such Equipment in such reasonable storage place on the Lessee's lines of railroad as the Lessor may designate or, in the absence of such designation, as the Lessee may select;

(b) Permit the Lessor to store such Equipment in such reasonable storage place on the Lessee's lines of railroad without charge for insurance, rent or storage until such Equipment has been sold, leased or otherwise disposed of by the Lessor; and

(c) Transport the Equipment to any place on the lines of railroad operated by the Lessee or to any connecting carrier for shipment, all as the Lessor may direct in writing.

15.2. Specific Performance. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Equipment.

15.3. Lessor Appointed Lessee's Agent. Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 15, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Items of Equipment to the Lessor, to demand and take possession of such Item in the name and on behalf of the Lessee from whomsoever shall be at the time in possession of such Item.

SECTION 16. ASSIGNMENTS BY LESSOR.

This Lease and all rent and all other sums due or to become due hereunder may be assigned in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. Upon notice to the Lessee of any such assignment the rent and other sums payable by the Lessee which are the subject matter of the assignment shall be paid to or upon the written order of the assignee. Without limiting the foregoing, the Lessee further acknowledges and agrees that (1) the rights of any such assignee in and to the sums payable by the Lessee under any provision of this Lease shall not be subject to any abatement whatsoever, and shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever whether by reason of failure of or defect in the Lessor's title, or any interruption from whatsoever cause in the use, operation or possession of the Equipment or any part thereof, or any

damage to or loss or destruction of the Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that, except in the event of a wrongful act on the part of such assignee, the Lessee shall be unconditionally and absolutely obligated to pay such assignee all of the rents and other sums which are the subject matter of the assignment, and (ii) the assignee shall have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of such assignee) which by the terms of this Lease are permitted or provided to be exercised by the Lessor.

It is understood and agreed that the right, title and interest of any such assignee in, to and under this Lease and the rents and other sums due and to become due hereunder shall by the express terms granting and conveying the same be subject to the interest of the Lessee in and to the Equipment.

SECTION 17. ASSIGNMENTS BY LESSEE; USE AND POSSESSION.

17.1. Lessee's Rights to the Equipment. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease, but, without the prior written consent of the Lessor, the Lessee shall not assign, transfer or encumber its leasehold interest under this Lease in any of the Equipment. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Equipment, except to the extent permitted by the provisions of Section 17.2 hereof.

17.2. Use and Possession on Lines Other Than Lessee's Own. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession of the Equipment and to the use thereof upon the lines of railroad owned or operated by it (either alone or jointly) or by any corporation a majority of whose voting stock (i.e., having ordinary voting power for the election of a majority of its Board of Directors) is owned directly or indirectly by the Lessee, or upon lines of railroad over which the Lessee or such corporation has trackage or other operating rights or over which equipment of the Lessee is regularly operated pursuant to contract and also to permit the use of any Item of Equipment upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, but only upon and subject to all the terms and conditions of this Lease. Notwithstanding the foregoing, the Lessee shall at no time through out the term of this Lease assign or permit the assignment of any Item of Equipment to service (including, without limitation, the regular operation and maintenance thereof) outside the continental United States. No assignment or sublease entered into by the Lessee hereunder shall relieve the Lessee or any liability or obligation hereunder which shall be and remain those of a principal and not a surety.

17.3. Merger, Consolidation or Acquisition of Lessee. Nothing in this Section 17 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any corporation (which shall have duly assumed the obligations hereunder of the Lessee) into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all of the lines of railroad of the Lessee, provided that such assignees, successors or transferees will not, upon the effectiveness of such merger or consolidation or acquisition of properties, be in default under any provision of this Lease and that such merger or consolidation or acquisition of Properties shall not alter in any way the Lessee's obligations to the Lessor hereunder which shall be and remain those of a principal and not a guarantor.

SECTION 18. RIGHT OF FIRST REFUSAL: RENEWAL OPTIONS.

18.1. Right of First Refusal. Unless an Event of Default, or any event or condition which, upon notice or lapse of time or both, would constitute an Event of Default, shall have occurred and be continuing, the Lessor shall not, at any time after the end of the original term of this Lease (or, if the Lessee has renewed this Lease for a renewal term pursuant to Section 18.2 hereof, at the end of such renewal term) sell, transfer or otherwise dispose of the Equipment unless:

(a) the Lessor shall have received from a responsible purchaser or purchasers a bona fide offer or offers in writing to purchase in the aggregate all, but not less than all, of the Items of Equipment;

(b) the Lessor shall have given the Lessee notice (i) setting forth in detail the identity of such purchaser or purchasers, the proposed purchase price or prices, the proposed date of purchase and all other material terms and conditions of such purchase, including, without limitation, any arrangements for the financing of such purchase known to the Lessor, and (ii) offering to sell such Items of Equipment to the Lessee upon the same terms and conditions as those set forth in such notice; and

(c) the Lessee shall not have notified the Lessor, within 45 days following receipt of such notice, of its election to purchase such Items of Equipment upon such terms and conditions.

If the Lessee shall not have so elected to purchase such Items of Equipment, the Lessor may sell such Items of Equipment at a price and upon other terms and conditions no less favorable to the Lessor than those specified in such notice. Notwithstanding the foregoing provisions of this Section 18.1, the Lessor may, if

the Lessee has not renewed this Lease pursuant to Section 18.2 hereof, lease the Equipment at any time after the end of the original term of this Lease (or, if the Lessee has renewed this Lease for a renewal term pursuant to Section 18.2 hereof, at the end of such renewal term) without first offering to lease the Equipment to the Lessee.

18.2. Renewal Options. Provided that the Lessee is not in default hereunder, the Lessee shall have the following renewal options:

(a) The Lessee shall have the option to renew and extend this Lease as to all, but not less than all, of the Items of Equipment then leased hereunder for one or more (but not more than two) additional consecutive renewal terms of five years each upon and subject to the terms and conditions herein contained for the original term of this Lease; provided, that the Fixed Rental payable for and during any such renewal term shall be an amount equal to the Fair Rental Value (as hereinafter defined) of such Items of Equipment. Each renewal term shall commence immediately upon the expiration of the preceding term. The Lessee shall give the Lessor written notice of any such election 180 days prior to the commencement of any renewal term provided for in this Section 18.2; and

(b) The Fair Rental Value of an Item of Equipment shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease. If on or before 90 days prior to the date of commencement of the renewal term elected by the Lessee, the Lessor and the Lessee are unable to agree upon a determination of the Fair Rental Value of the Item of Equipment, such value shall be determined in accordance with the foregoing definition by a qualified independent Appraiser. The term "Appraiser" shall mean two independent appraisers, one chosen by the Lesssor and one chosen by the Lessee, or, if such appraisers cannot agree on the amount of such value within 60 days prior to the date of commencement of the renewal term elected by the Lessee, determined on the basis of an appraisal made by third appraiser chosen by the American Arbitration Association. The Appraiser shall be instructed to make such determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to the Lessor and the Lessee. The determination so made shall be conclusively binding upon both the Lessor and the Lessee. The expenses and fees of the Appraiser shall be borne by the Lessee.

18.3. Delivery of Equipment. Unless the Lessee has elected to purchase the Items of Equipment then leased hereunder or to renew this Lease in respect of such Items of Equipment as provided in this Section 18, all of such Items of Equipment shall be returned to the Lessor at the end of the original term, or the then current renewal term, as the case may be, in accordance with Section 13 hereof.

SECTION 19. INTEREST ON OVERDUE RENTALS AND AMOUNT PAID BY LESSOR.

Anything to the contrary herein contained notwithstanding any nonpayment of rent due hereunder, or amounts expended by the Lessor on behalf of the Lessee, shall result in the additional obligation on the part of the Lessee to pay also an amount equal to 10-1/4% per annum (or the lawful rate, whichever is less) on the overdue rentals and amounts expended for the period of time during which they are overdue or expended and not repaid.

SECTION 20. MISCELLANEOUS.

20.1. Limitations of Liability. It is expressly understood and agreed by and between the Lessor and the Lessee and their respective successors and assigns that this Lease is executed by FIRST SECURITY BANK OF UTAH, N.A., not individually or personally but solely as Trustee under the Trust Agreement in the exercise of the power and authority conferred and vested in it as such Trustee (and FIRST SECURITY BANK OF UTAH, N.A. hereby warrants that it possesses full power and authority to enter into and perform this Lease), that each and all of the representations, undertakings and agreements herein made on the part of the Lessor are each and every one of them made and intended not as personal representations, undertakings and agreements by the Lessor or the Trustor, or for the purpose or with the intention of binding the Lessor or the Trustor personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Trust Agreement, that this Lease is executed and delivered by the Lessor solely in the exercise of the powers expressly conferred upon the Lessor as trustee under the Trust Agreement, that actions to be taken by the Lessor pursuant to its obligations hereunder may, in certain instances, be taken by the Lessor only upon specific authority of the Trustor, that except as otherwise provided in the Participation Agreement or in the Security Agreement and except in the case of gross negligence or wilful misconduct of the Lessor (which gross negligence or wilful misconduct shall not be imputed to the Trustor) nothing herein contained shall be construed as creating any liability on the Lessor or the Trustor, individually or personally, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of, FIRST SECURITY BANK OF UTAH, N.A. or the Trustor, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Lessee and by each and every person now or hereafter claiming by, through or under the Lessee, and that so far as Lessor or the Trustor, individually or personally are concerned, the Lessee and any person claiming by, through or under the Lessee shall look solely to the Trust Estate as defined in the Trust Agreement for the

performance of any obligation under this Lease. The term "Lessor" as used in this Lease shall include any trustee succeeding the Lessor as trustee under the Trust Agreement or the Trustor if the trust created thereby is revoked. Any obligation of the Lessor hereunder may be performed by the Trustor, and any such performance shall not be construed as revocation of the trust created by the Trust Agreement. Nothing contained in this Lease shall restrict the operation of the provisions of the Trust Agreement with respect to its revocation or the resignation or removal of the Trustee thereunder.

It is expressly understood and agreed by and between the Lessor and the Lessee and their respective successors and assigns that this Lease is executed by CONSOLIDATED RAIL CORPORATION in its corporate capacity and that nothing herein contained shall be construed as creating any liability on any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of CONSOLIDATED RAIL CORPORATION to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Lessor and by each and every person now or hereafter claiming by, through or under the Lessor.

20.2. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States certified mails, first class, postage prepaid, addressed as follows:

If to the Lessor:

FIRST SECURITY BANK OF UTAH, N.A.
79 South Main Street
Salt Lake City, Utah 84111

Attention: Trust Department,
Corporate Trust Division

If to the Trustor:

FIRST SECURITY LEASING COMPANY
P. O. Box 30006
Salt Lake City, Utah 84125

Attention: Mr. C. S. Cummings

If to the Note
Purchaser:

BANK OF AMERICA, N.T. AND S.A.,
As Trustee for the ATLANTIC
RICHFIELD COMPANY AND
SUBSIDIARY RETIREMENT PLANS
Atlantic Richfield Company
BOA, Suite 3350
515 South Flower St.
Los Angeles, CA 90071
Attention: Mr. David A. Hemstreet,
Portfolio Manager-
Private Placements

[with a copy of any such notice with
respect to any Event of Default or
Casualty Occurrence to:

Bank of America, N.T. & S.A.
PMI 17055, ARCO No. 3
P. O. Box 3635-T.A.
Los Angeles, California 90051
Attention: Mr. Paul C. Chow]

If to the Lessee:

CONSOLIDATED RAIL CORPORATION
1310 Six Penn Center
Philadelphia, PA 19104
Attention: Mr. Baxter D. Wellmon,
Assistant Treasurer-
Cash Mobilization

shall hereafter furnish to such other parties in writing.

20.3. Right of Lessor to Perform. If the Lessee shall fail to comply with any of its covenants herein contained, the Lessor may, but shall not be obligated to, make advance to perform the same and to take all such action as in the Lessor's opinion may be necessary to obtain such performance. All payments so made by the Lessor and all cost and expenses (including without limitation, reasonable attorneys' fees and expenses) incurred in connection therewith shall be payable by the Lessee to the Lessor upon demand as additional rent hereunder, with interest at the rate of 10-1/4% per annum.

20.4. Execution in Counterparts. This Lease, and any lease supplemental hereto, may be executed in several counterparts, each of which so executed shall be deemed to be an original and in each case such counterparts shall constitute but one and the same instrument.

20.5. Law Governing. This Lease shall be construed in accordance with the laws of the Commonwealth of Pennsylvania; provided, however, that the parties shall be entitled to all rights conferred by any applicable Federal statute, rule or regulation.

20.6. Headings and Table of Contents. All Section headings and the Table of Contents are inserted for convenience only and shall not affect any construction or interpretation of this Lease.

20.7. Severability. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be as to such jurisdiction ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provisions in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have cause this Lease to be executed by their respective officers thereunder duly authorized and the corporate seals to be hereto affixed as of the day and year first above written.

FIRST SECURITY BANK OF UTAH, N.A.,
not individually but solely as
Trustee under CONRAIL TRUST NO. 78-1

[CORPORATE SEAL]

By

M. C. M
Authorized Officer

ATTEST:

[Signature]
Authorized Officer

CONSOLIDATED RAIL CORPORATION

[CORPORATE SEAL]

By

Its

RTH
V.P. & Treas.

ATTEST:

Benjamin Harder
Secretary

STATE OF UTAH)
) SS
COUNTY OF SALT LAKE)

On this 10 day of March, 1978, before me personally appeared William C. McGee, to me personally known, who being by me duly sworn, says that he is an Authorized Officer of First Security Bank of Utah, N.A., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Verna J. Guevara
Notary Public

[NOTARIAL SEAL]

My Commission Expires November 15, 1981

My commission expires:

COMMONWEALTH OF PENNSYLVANIA)
) SS
COUNTY OF PHILADELPHIA)

On this 13th day of March, 1978, before me personally appeared R. T. Fox, to me personally known, who being by me duly sworn, says that he is the V.P. ET AL of Consolidated Rail Corporation, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Alfonso J. Di Gregorio
Notary Public

[NOTARIAL SEAL]

My commission expires:

ALFONSO J. DIGREGORIO

Notary Public, Philadelphia, Philadelphia Co.

My Commission Expires August 7, 1980

DESCRIPTION OF ITEMS OF EQUIPMENT

Description and Mark and Number
of Items of Equipment:

60 Air Side Dump Cars,
Marked and Numbered CR53290
to CR53349, both inclusive

Base Lessor's Cost of Equipment:

\$56,000 per Item (\$3,360,000
for 60 Items)

Maximum Aggregate Purchase
Price to Lessor of Equipment:

\$3,718,424 for 60 Items

Place of Delivery:

Renton, Washington

Outside Delivery Date:

June 30, 1978

SCHEDULE A
(to Equipment Lease)

CERTIFICATE OF ACCEPTANCE
UNDER EQUIPMENT LEASE

TO: FIRST SECURITY BANK OF UTAH, N.A., at Trustee under the Equipment Lease dated as of February 1, 1978 (the "Lessor").

PACCAR INC (the "Manufacturer")

I, a duly appointed and authorized representative of CONSOLIDATED RAIL CORPORATION (the "Lessee") under the Equipment Lease dated as of February 1, 1978 between the Lessor and the Lessee, do hereby certify that I have inspected, received, approved and accepted delivery under the Lease of the following Items of Equipment:

TYPE OF EQUIPMENT 60 Air Side Dump Cars

PLACE ACCEPTED:

DATE ACCEPTED:

NUMBER OF UNITS:

MARKED AND NUMBERED:

I do further certify that the foregoing Items of Equipment are in good order and condition, and appear to conform to the specifications applicable thereto, that the Lessee has no knowledge of any defect in any of the foregoing Items of Equipment with respect to design, manufacture, condition or in any other respect, and that each Item has been labeled by means of a plate or a stencil printed in contrasting colors upon each side of the Item in letters not less than one inch in height as follows:

"Leased from a Bank or Trust Company,
as Trustee, and subject to a Security
Interest recorded with the I.C.C."

The execution of this Certificate will in no way relieve or decrease the responsibility of the Manufacturer for any warranties it has made with respect to the Equipment.

Dated: _____, 19__

Inspector and Authorized
Representative of the Lessee

SCHEDULE B
(to Equipment Lease)

CONSOLIDATED RAIL CORPORATION

SCHEDULE OF CASUALTY VALUE

The Casualty Value for an Item of Equipment payable on the Interim Rental Payment Date or any Fixed Rental Payment Date thereafter shall mean an amount equal to the percent of the Lessor's Cost of such Item set forth opposite such date in the following schedule (as the same may be increased pursuant to Annex 1 to this Schedule C):

<u>Interim Rental Payment Date or Number of Fixed Rental Payment Date on which Casualty Value is Paid</u>	<u>Percentage of Lessor's Cost Payable as Casualty Value</u>
Interim Rental Payment Date	85.513%
1	86.061%
2	86.054%
3	85.761%
4	85.272%
5	84.581%
6	83.710%
7	82.652%
8	81.422%
9	80.016%
10	78.447%
11	76.716%
12	74.833%
13	72.802%
14	70.630%
15	68.327%
16	65.895%
17	63.343%
18	60.668%
19	57.881%
20	54.978%
21	51.972%
22	48.854%
23	45.644%
24	42.327%
25	38.943%
26	35.472%
27	31.969%
28	28.412%
29	24.829%
30 and thereafter during any storage period	20.000%

(Conrail Trust No. 78-1)

SCHEDULE C
(to Equipment Lease)

Annex 1 to Schedule C
(to Equipment Lease)

The percentages set forth in Table 1 to this Schedule C have been computed without regard to recapture of the Investment Credit (as defined in an agreement between the Lessor and the Lessee dated the date hereof relating to certain tax indemnities). Consequently, the Casualty Value of any Item suffering a Casualty Occurrence on or before the third, fifth or seventh anniversary of the date of delivery and acceptance of such Unit shall be increased by the applicable percentage of the Lessor's Cost set forth below:

<u>Anniversary of Delivery and acceptance</u>	<u>Percentage of Lessor's Cost</u>
Third	20.56767%
Fifth	13.71178%
Seventh	6.85589%